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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 002786

SIPDIS

STATE PASS AIT/W

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SUBJECT: PREMIER HSIEH FRUSTRATED OVER FAILURE OF  
RECONCILIATION POLICIES

REF: TAIPEI 2745

Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

11. (C) Summary: A longtime aide to Premier Frank Hsieh told AIT that Hsieh is increasingly frustrated by the partisan gridlock in Taiwan politics. Corey Chen, a close political advisor to the Premier, told AIT that Hsieh is now convinced that opposition leaders will not cease their obstructionism unless they lose their lock over the Legislative Yuan (LY). To this end, Chen said that Hsieh is considering eroding the Pan-Blue's current narrow majority by engineering defections among disaffected opposition legislators. Chen complained, however, that Hsieh's room to maneuver is limited by President Chen Shui-bian's efforts to maintain exclusive control over all major political and policy decisions. End Summary.

Running in Place  
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12. (C) Longtime Hsieh confidante Corey Chen (Chien-chung) told AIT that Premier Frank Hsieh is frustrated that his "reconciliation cabinet" has failed to produce any measurable results. Chen said that reluctance by opposition legislative leaders to consider an emergency budget to help communities in southern Taiwan hit by recent flooding has convinced Hsieh that the Pan-Blue is obsessed with sabotaging the government's policies, regardless of the cost to the public or their own political interests. Chen noted that when senior Executive Yuan (EY) officials pointed out to opposition legislative leaders that opposing the special flood relief budget could jeopardize Pan-Blue candidates in the year-end local election, "their response was 'we don't care, we just want to get Chen Shui-bian.'"

Enough Velvet Glove, Time for the Iron Fist  
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13. (C) Chen said that Hsieh expected to be able to replicate his experience with the opposition-controlled Kaohsiung City Council with the LY. "In Kaohsiung, you could get things done as long as you demonstrated that what you were doing it for the greater, rather than simply partisan, good," Chen commented, "in the LY, they don't care about the substance of policy, it's all power politics." Chen said he was skeptical that the next KMT Chairman would be able to make a significant shift even if he wanted to, given the growing power of hard-line (read: conservative, ethnic Mainlander) factions within the Pan-Blue parties. Chen said that Hsieh is increasingly convinced that the Pan-Blue parties will only cooperate when they have no other choice, and that means depriving the Blue of its LY majority.

14. (C) Chen noted that there are internal discussions under way over whether to re-launch the National Stabilization Alliance. President Chen floated this proposal in 2002 in an attempt to entice moderate KMT legislators to join a loose legislative majority coalition that would help the government pass major legislation. While the 2002 initiative resulted in a handful of defections from the KMT, most KMT legislators stayed put rather than risk expulsion from the party ahead of a possible Pan-Blue return to power in the 2004 presidential election. Corey Chen noted that some Hsieh advisors have made the case that the current conditions are ripe for revisiting the National Stabilization Alliance idea. They argue that internal discontent over the July 16 KMT election results, the implosion of support for James Soong's People First Party (PFP) and National Assembly (NA) passage of reforms that will cut the number of LY seats in half should produce a significant bloc of Pan-Blue legislators vulnerable to inducements of jobs and political patronage.

Hsieh's Short Leash  
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15. (C) Chen said that a major constraint on any new initiative is the approach of the President. Chen said that Hsieh is increasingly annoyed by the President's continued interference in the Premier's political and policy prerogatives. Chen criticized the President's attempts to build a legislative majority through his February 24 cohabitation agreement with PFP Chairman James Soong. "You

need more than a joint press conference to build a coalition," Chen complained. Chen said that the President's focus on trying to arrange high-level meetings with opposition leaders has only reinforced the personalized nature of ruling-opposition relations.

16. (C) Premier Hsieh's ability to formulate his own policy line is also limited by Presidential interference, Chen continued. Chen said that the proposed National Security Report (Reftel) presents a major headache to Hsieh as he prepares his own policy address for delivery to the LY in September. "The media and LY will pick over every word of the two reports to find differences to exploit," he complained. Chen stated the inclusion of domestic and economic policies in the National Security Report also represents an intrusion by the President into policy domains reserved constitutionally for the Premier. Nevertheless, Chen said it was unlikely that Hsieh will directly challenge the President, even as the 2008 election nears. "Hsieh knows that the President can replace him at any time," Chen concluded.

Kaohsiung Politics: Betting on the Blue?

17. (C) Turning to Kaohsiung City politics, Chen asserted that acting Mayor Chen Chi-mai has under-performed expectations and could face a tough battle against presumptive KMT challenger, Apollo Chen (Shuei-sheng). Corey Chen noted that Chen Chi-mai is handicapped by the fact that "pretty much everything that could have been done to improve Kaohsiung was already done by Hsieh, leaving Chen (Chi-mai) with little to run on in 2006." (Comment: the KMT's Apollo Chen recently offered AIT the exact same assessment. Apollo Chen is trying to portray himself as more capable of fulfilling Hsieh's political vision than Chen Chi-mai. End Comment.) Corey Chen added that acting Mayor Chen is more an administrator than a leader, offering little vision for a constituency "whose expectations have been raised" by Hsieh's successful tenure as Mayor. Corey Chen added that the Democratic Progressive Party's (DPP) election may in the end turn on acting Mayor Chen's ability to complete the subway system without any further accidents or scandals.

Comment: Thankless Job

18. (C) Hsieh's appointment as Premier earlier this year was viewed by many political insiders as a major boost for Hsieh over DPP rival, Su Tseng-chang. However, Hsieh is already encountering the same structural challenges -- an obstructionist LY and a domineering, unpredictable President -- that frustrated his three predecessors. In order to avoid this same fate, the Premier will need to secure some sort of accommodation from the LY. In our estimate, Hsieh has proven a realistic sensible leader of Taiwan's executive. Despite the frustrations we describe here, Hsieh has shown considerable leadership potential, certainly more than his DPP predecessors. Hsieh's control over governmental resources should give him the leverage he needs to assemble a working majority coalition from disaffected Pan-Blue legislators, if only he is given the authority to do so.

Bionote

19. (C) Corey Chen has been with Hsieh in various capacities for well over a decade and is considered among his closest personal confidantes. When Hsieh was DPP Chairman, Chen served as his Special Assistant. When the President ousted Hsieh from the DPP Chairmanship in 2002, Corey Chen stayed behind as Deputy Director of the party's International Affairs Department Deputy Director and as a self-confessed "Hsieh spy" at party HQ. After being dismissed by DPP International Affairs Director Bi-khim Hsiao, an ally of Hsieh rival Su, Hsieh appointed Chen to run Kaohsiung City's representative office in Taipei. Chen technically still reports to the Kaohsiung City government, but in reality is working full time as a Hsieh political advisor (Note: Chen took three calls from Hsieh during a two-hour dinner with AIT. End Note.). Chen is a former recipient of a U.S. International Visitors Program grant. He has also spent time at Sophia and Keio Universities in Tokyo, Japan.

PAAL